BGR Outlook on Jefferson

Jefferson Parish Government Finances

February 1999

Introduction

BGR's Outlook on Jefferson series is intended to provide general oversight and monitoring of Jefferson Parish government. This issue focuses on Jefferson Parish general government revenues and expenditures and the operating budget. BGR's first report examining the parish council and its finances was issued in April 1997 and covered the 1997 adopted budget and actual expenditures through 1995. The parish's adopted 1998 operating budget was discussed in a subsequent edition of the Outlook on Jefferson series.

The purpose of this report is to provide an updated overview of Jefferson Parish government and the parish's fiscal outlook. It includes both a review of final general government revenues and expenditures between 1988 and 1997 as presented in the Parish's Comprehensive Annual Financial Report (CAFR), and an examination of the 1999 Jefferson Parish adopted operating budget.

Unlike "general government" budget data that are presented in the CAFR, the Parish's projected "operating" revenues and expenditures contained in the annual operating budget documents include neither debt service funds nor the great majority of federal funds. Moreover, CAFR general government expenditures do not include revenues and expenditures from Enterprise Funds as do annual operating budgets. Enterprise Funds account for the fiscal operations of the Parish's Consolidated Waterworks District No. 1 and the Consolidated Sewerage District No. 1. As proprietary funds, the cost of providing these government functions is financed through user charges.

These differences make comparisons between the two problematic, but reasonable assumptions can be made regarding trends in aggregate parish revenues and expenditures.

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Structure of Parish Government

The government of unincorporated Jefferson Parish (which does not include the municipalities of Westwego, Gretna, Kenner, Harahan, Grand Isle, and Lafitte) is a president/parish council form of local governance. The Parish's Home Rule Charter grants the Parish Council general legislative powers and provides that the Parish President function as chief administrative officer. It is the role of the Parish President to execute the Council's policies and to direct the operations of parish government. The Parish President has veto authority over most ordinances and receives an annual salary of $92,520.

Six Parish Council members are elected every four years from single-member districts, three districts situated primarily on the westbank (districts 1, 2, and 3), and three located on the east bank (districts 4, 5, and 6) of the parish. A small area of districts 2 and 3 extend to the eastbank of the river. A Parish Council Chairman is elected parish-wide. The annual salary of the Parish Council Chairman is $69,390, and Council members receive $46,260 annually.

The number of parish employees has increased steadily since 1995 (3,017), growing by 5.3 percent to an estimated 3,179 in 1999 as the parish's population declined by over one percent. Most new positions in 1999 (19 net) are allocated to public work functions.

Population and Income

Following years of population and economic expansion, much of it at the expense of the Orleans Parish economy, growth in Jefferson Parish as in many once-booming suburban areas, has at best leveled-off and is likely in decline. According to data developed by the University New Orleans, between 1987 and 1996, per capita personal income in Jefferson Parish declined from 6.9 percent above the eight-parish regional average to 3.3 percent above the average. By comparison, over the same period, personal income in Orleans Parish grew from just below the regional average to 2.1 percent above the regional income average.

Reflecting regional out-migration trends, the population of Jefferson Parish declined by 3.3 percent between 1988 (468,509) and 1997, and by 1.1 percent between 1995 (458,456) and 1997 (453,160) according to Louisiana Tech University demographic data. The 1998 population remains unchanged over 1997. The parish's middle income population is declining as a percentage of the total population. Enrollment in Jefferson Parish Public Schools is declining, leading to reduced state financial support.

The annual per capita income of parish residents, based on U. S. Department of Commerce figures, remained unchanged at $21,973 from 1995 through 1997despite sustained growth in the national economy. This leveling of income can have a future negative impact on retail sales. On a positive note, the parish's unemployment rate dropped from 6 percent in 1994 to 4 percent in 1997.

General Revenues:
1988 – 1997

This review of Jefferson Parish general operating revenues includes funds accounted for in the General Fund, Special Revenue Funds, and the Debt Service Funds. See Figure A. Excluded from these figures are revenues from Capital Projects and Enterprise Funds.

Fund Types

The General Fund, which totaled $48.7 million in 1997, accounted for 18.2 percent of general operating revenues. It is the parish's only source of undedicated revenue and is used to support the parish's governmental operations including the Parish Council, the office of the Parish President, parish financial administration, and a variety of public safety functions. Mandated support for criminal justice agencies (District Attorney, the court systems, and prison operations) will account for 41 percent of 1999 General Fund expenditures.

The Special Revenue Fund accounted for 63 percent of parish revenues in 1997. That includes special tax proceeds legally dedicated for specific purposes, for example ambulance services, garbage collection, and fire protection. The great majority of state and federal grant funds are also accounted for in the Special Revenue Fund.

The Debt Service Fund accounted for 18.7 percent of general parish revenues and is used to maintain monies to pay interest and principal on the parish's general obligation and special tax bonds.

Revenue Sources

Parish general revenues totaled $267.9 million in 1997, an increase of 57.5 percent over 1988 income of $170.1 million and an 8.7 percent increase over 1995 revenues of $244.4 million. See Table 1. Adjusted for inflation, general revenues increased by 19.9 percent over the ten-year period 1988 through 1997 and by 4.8 percent from 1995 to 1997.

Table 1
Jefferson Parish

Generanl Revenue By Source 1988 - 1997 (in thousands of dollars					
Revenue Source	1988	Percent Budget	1997	Percent Budget	Percent Change
Taxes	$117,514	69%	$175,056	65%	49%
Licenses/Permits	6,055	4%	8,737	3%	44%
Intergovernmental	22,025	13%	36,284	14%	65%
Charges for Service	5,886	4%	24,117	9%	309%
Fines/Forfeitures	1,986	1%	3,278	1%	65%
Special Assessment	336	<1%	112	<1%	-67%
Interest	9,092	5%	9,141	3%	1%
Miscellaneous	7,220	4%	11,249	4%	56%
Total Revenue	$170,114	100%	$267,974	100%	57.5%

Source: Jefferson Parish Comprehensive Annual Financial Report 1997
Includes General, Special Revenue, and Debt Service Funds. Does not include Enterprise Funds.

The parish's sources of general revenue are a variety of taxes, charges for service, intergovernmental funds (state and federal grants), licenses and permits, interest income, fines and forfeitures, special assessments, and miscellaneous sources. Parish tax income, as a percentage of total parish revenues, declined by 5.8 percent between 1988 and 1997 as revenue from charges for service grew from revenue sources have remained stable over the years.

Taxes

Taxes, which include property taxes, sales taxes, severance, and miscellaneous taxes, are the largest source of parish income comprising 65.3 percent ($175.0 million) of 1997 total general government revenues, down from 69 percent in 1988 and 66.6 percent ($162.7 million) of total general revenues in 1995. Intergovernmental funds made up 13.5 percent of parish income in 1997, charges for service 9 percent, and miscellaneous 4.2 percent. The remaining revenue resources accounted for eight percent of parish annual income.

Sales tax revenue increased by 52.2 percent from 1988 through 1997, or by 15.9 percent adjusted for inflation. However, sales tax revenue slowed between 1994 and 1997 growing by only 6 percent, a decrease of 4.9 percent in real dollars.

Property tax revenues grew by 42.6 percent between 1988 and 1997 or 8.7 percent adjusted for inflation, and by 11.9 percent from 1994 to 1997, 4.3 percent ahead of inflation. The steep drop in property tax revenue between 1990 and 1991 was due in part to a 2.6 percent decline in the assessed value of taxable property in the parish, and in part to a reduction in millages to compensate for prior year surpluses. See Figure B.

This trend supports other indicators that suggest economic growth in Jefferson Parish has slowed during the 1990’s. Jefferson Parish population declined over the past ten years and per capita income has remained flat. A decrease in the unemployment rate from 8.4 percent in 1988 to 3.8 percent in 1997 has helped to minimize the impact of the declining population on the parish economy.

Other Revenue Sources

Intergovernmental funds, principally state and federal grants, grew by 64.7 percent between 1988 and 1997 and by 23.8 percent from 1995 to 1997. The federal Departments of Transportation, Housing and Urban Development, and Health and Human Services were the parish’s main sources of grant funds in 1997. Parish revenues from charges for services tripled between 1988 and 1995 but decreased in 1997.

Money from miscellaneous taxes, which includes taxes on alcoholic beverages, chain stores, and the cable TV franchise, totaled $2.9 million or 1.6 percent of tax revenues in 1997. Parish income from severance taxes has remained unchanged at about half a million dollars over the past ten years.

Gaming Revenue

Legalized gaming as a revenue source has had a modest impact on parish finances. The parish's revenue from gaming, which includes income from off-track betting, video poker, and riverboat gaming (the Boomtown Belle), totaled about $4.1 million in 1998, or about 1.7 percent of operating revenue.

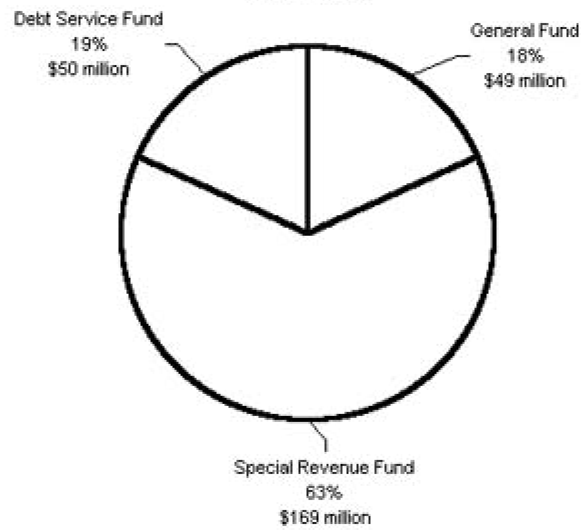
The largest gaming revenue producer for the parish is video poker bringing in a total of $1.6 million in 1998. As of January 1, 1997, all video poker income is dedicated to construction of the parish's new prison facility

The Parish receives one-half of all off-track betting (OTB) income or about $909,000 in 1998. These funds are divided among eastbank ($645,932) and westbank ($262,930) council districts based on district population. In 1998, eastbank council members dedicated their share of OTB funds to development of the LaSalle tract, the site of Zephyr Stadium and other planned improvements. In 1999, only one council district will continue to dedicate OTB revenue to the LaSalle tract.

Westbank council members use OTB funds, and all parish proceeds from the Boomtown Belle Riverboat, which totaled $1.7 million in 1998, to support a variety of capital and community projects within their districts. These revenues are termed Council District Improvement/Assistance Funds. Council members have wide discretion in determining the use of these monies.

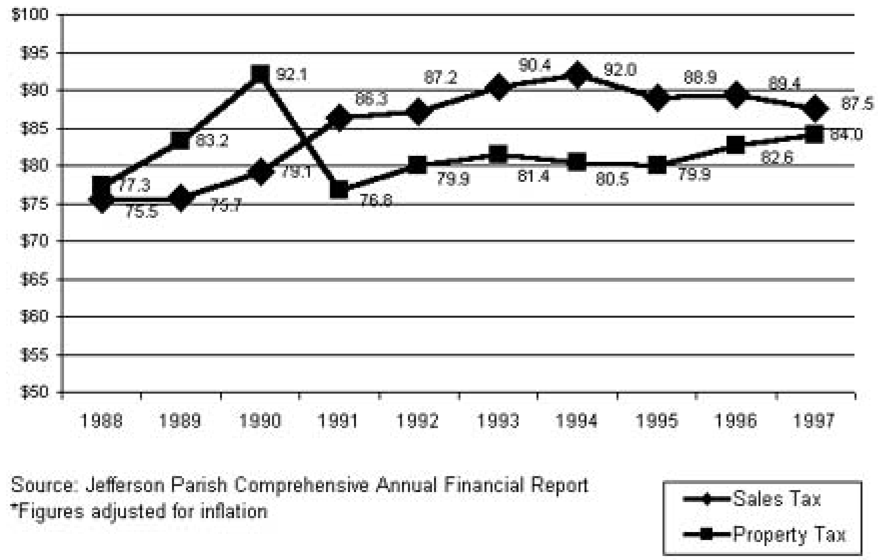
In 1998, westbank council members shared a total of $2.2 million in parish discretionary funds derived from gaming and a portion of hotel/motel tax revenues also dedicated to westbank council districts. Hotel/motel tax revenue must be used for tourism-related projects.

Figure A
Jefferson Parish
1997 General Operating Revenue by Fund Type
($268 million)



Source: Jefferson Parish Comprehensive Annual Financial Report
Excludes Enterprise Funds and Capital Budget

Figure B
Jefferson Parish
Property and Sales Tax Revenue
1988 - 1997
(in millions of dollars)*



Source: Jefferson Parish Comprehensive Annual Financial Report
*Figures adjusted for inflation

General Expenditures: 1988 through 1997

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As shown in Table 2, Jefferson Parish general government expenditures increased by 50 percent between 1988 ($166.5 million) and 1997 ($250.1 million), well below the 57.5 percent growth in revenues over this ten-year period.

This differential led to a 1997 year-end fund balance of $59.8 million. The parish's year-end fund balance increased by 129 percent from 1993 ($26.1 million) through 1997 ($59.8 million). See Figure C. These funds are largely special revenue funds derived from dedicated taxes and as such may be used only for designated purposes.

More recently (1995 to 1997), the differential narrowed as expenditures grew by 9.6 percent compared to an 8.7 percent increase in revenues. Adjusted for inflation, expenditures increased by 14.3 percent between 1988 and 1997 and by 4.8 percent from 1995 through 1997.

In fact, approximately 90 percent of the parish's general operating revenues are tied to specific functions leaving limited flexibility in redirecting parish spending priorities. The parish's dedicated budget structure contrasts with governmental budgets based largely on undedicated or discretionary funds, an approach which allows flexibility but one which can engender a "spend it or lose it" attitude among managers.

Expenditures by Function

The parish's general government expenditures are categorized by governmental function in Table 2.

Public works comprised 24.1 percent ($60.3 million) of spending in 1997 and remains the parish's largest single cost center. However, public works outlays made up 26.8 percent of 1995 general expenditures and decreased slightly in actual dollars between 1995 and 1997. Public works includes garbage collection, drainage, road lighting, streets, and parkways. About 43 percent of public works expenditures are for professional and technical services.

As a percentage of general government spending, debt service costs decreased from 26 percent in 1988 to 20 percent of parish spending in 1997. As a result, the ratio of debt service to total general government expenditures has decreased from 11 percent in 1988 to 5 percent in 1997, well below the parish's bonding capacity.

The parish's general government expenditures for the public safety function, which includes support for fire protection, ambulance services, emergency communication, juvenile services, and corrections, comprised 18 percent of 1997 outlays. Public safety expenditures increased 65 percent between 1988 and 1997 while total parish general spending increased by 50 percent. Between 1995 and 1997, public safety spending increased by almost 18 percent making it the parish's fastest growing major governmental expenditure.

Expenditures for general government functions increased by 19 percent between 1988 and 1997, well below overall budget growth of over 50 percent for the period. Health and welfare spending grew by 48.6 percent, and culture and recreation outlays increased by 80 percent. More recently, annual expenditures in these categories have leveled-off.

Two of the parish's smaller spending categories, urban redevelopment and housing and public transit, grew substantially in 1997. Urban redevelopment and housing expenditures increased by 76 percent, and transit spending more than doubled between 1996 and 1997. In both instances, the receipt of additional federal grants accounts for the increases.

The 1999 Operating Budget

Adopted on December 9, 1998, the parish's 1999 operating budget projects expenditures of $266.7 million in 1999, 6.2 percent above anticipated 1999 revenue of $250.9 million. In 1998, amended expenditures ($259.3 million) exceeded revenues of $243.5 million by 6.5 percent.

Revenues

Jefferson Parish 1999 operating revenues are projected to increase by 3 percent over 1998 amended revenues of $243.5 million. See Table 3. Tax income in 1999 ($143.7 million) is predicted to increase by one percent over 1998, and will comprise 57.3 percent of the 1999 operating revenues.

These are conservative tax income estimates as actual parish-tax revenues in 1997 were 2.3 percent above estimates, and 1998 actual sales tax income will likely be two to three percent above projections. (Note that operating budget tax income estimates do not include debt service funds as does general government revenue. Debt service funds represent tax income and are derived from sales, property, and other sources.)

The parish's income from charges for services in 1999 is expected to increase by 8.8 percent over 1998, supported in large part by a 33 percent increase in income from garbage collection fees. Revenues for charges for service in the operating budget (Table 3) far exceed general government revenues from charges for service (Table 1) as

Table 3 totals also include income from parish enterprise funds. Enterprise fund revenues are derived from the provision of water and sewer services to parish residents.

Operating budget revenues from intergovernmental sources are expected to decline by about six percent between 1998 and 1999. This decrease does not represent a substantial change, however, as operating budget revenues include only a small percentage of the parish's total income from state and federal grants. Federal grant revenue totaled $27.5 million in 1997.

The moderate growth in parish income from licenses and permits, interest, and other financing sources is projected to continue through 1999 while revenue from fines and forfeitures and miscellaneous sources is expected to decline slightly.

Expenditures

The Parish anticipates total operating expenditures of $266.7 million in 1999, an increase in spending of 2.8 percent over amended 1998 outlays ($259.3 million), and an 18 percent rise over 1997. Based on prior proposed budgets, 1999 expenditures are overestimated. In 1997, proposed operating expenditures were anticipated to exceed revenues by 6 percent when in fact actual revenues exceeded outlays by 4.7 percent.

General Fund expenditures are expected to increase by 7.2 percent over 1998. This increase accounts for almost all of the proposed spending growth in 1999, leaving a projected year-end General Fund balance of only $178,500, down from $4.5 million in 1998. Again, a combination of conservative revenue projections and overestimated expenditures will likely lead to a significantly larger fund balance than anticipated.

Spending levels in all other functional areas are expected to show little change. Most of the increase in General Fund spending ($2.5 million) is allocated to reducing debt service on the Yenni office building.

Table 4 presents budgeted 1998 and 1999 expenditures by category. Personal services ($113.6 million), composed of salaries and fringe benefits, makes up a growing percentage of the parish’s operating budget, increasing from 41.8 percent of the 1998 budget to 42.6 percent of projected 1999 expenditures ($266.7 million).

Spending on personal services grew 23.4 percent from 1995 to 1999, as total expenditures rose by 20.8 percent. These increases are the result of the parish personnel policy. All parish employees, unless they are at the top of their pay range or exhibit poor job performance, receive a five-percent annual pay increase.

Personal services expenditures in 1999 will exceed the projected 4.8 percent increase over 1998 outlays as the parish’s new pay plan, adopted in 1998, goes into effect. The cost of the new pay plan, about $ 7 million, is not yet incorporated in the 1999 adopted budget.

Purchased services operating expenditures are budgeted at $94.8 million for 1999,a 3.2 percent increase over 1998 amended outlays, and 19.4 percent over actual 1997 expenditures.

The professional and technical sub-category ($56 million) comprises 60 percent of purchased services and grew by 2.7 percent between 1998 and 1999 and by 12.9 percent ($9.6 million) since 1997. About 42 percent of the 1997 to 1999 increase is due to a 57 percent rise in expenditures for professional services contracts and a 31 percent increase in the parish's garbage service contract.

Professional and technical costs comprise 21 percent of total projected 1999 operating expenditures. Parish expenditures in the property sub-category increased by 40 percent over 1997 actual costs and by 4 percent over 1998 levels. Other purchased services showed a slight drop in 1999.

Operating expenditures incurred from general expenses and debt service remain essentially unchanged. Outlays for capital costs more than doubled between 1997 and 1999 due in part to building costs, general improvements, and heavy equipment and vehicle purchases. The parish's cost for supplies increased by 38 percent over 1997 due in part to the purchase of computer software and road maintenance-related supplies.

The 1999 Capital Budget

The parish's 1999-2004 capital budget program projects expenditures of $175.9 million in 1999 from parish and other sources, involving juvenile services, parks and recreation, transit, and public works projects. Parish sources($71.7 million) include bond funds, millages, drainage/sewerage taxes, and operating budget funds. Other sources ($104.1 million) are derived from federal grants and state allocations.

Public works projects will account for about 95 percent of these expenditures with major outlays for parish-wide drainage projects ($71.5 million), westbank sewerage improvements ($14.3 million), westbank water projects ($9.5 million), and westbank street work ($10.1 million). The westbank is slated to receive roughly $144.3 million more for street improvements in 2000.

Other significant capital projects include construction of a new juvenile justice building as part of the Rivarde Detention Center ($3.1 million), and expansion of the parish's transit system ($4.1 million). A portion of the Division of Juvenile Service's growing fund balance will provide most of the construction costs for the new juvenile justice building. Transit improvements are supported largely by federal funds.

Conclusion

Parish Economic Outlook

Jefferson Parish government continues to grow but within the overall context of a parish and a region that are in a period of socio-economic transition. Once a growing suburb of New Orleans, Jefferson is itself now impacted by the growth of outer-ring suburban areas of St. Charles, St. John, and St. Tammany Parishes. But for the present, parish government revenues exceed expenditures and continue to grow at a pace ahead of inflation.

Between 1988 and 1997, growth in revenues exceeded expenditures, which combined, with conservative revenue estimates and close monitoring of spending by parish financial administrators, helped build a 1997 year-end fund balance of $59.8 million.

The great majority of these funds though are dedicated to a variety of specific parish government departments and functions limiting their use in addressing substantial changes in parish spending priorities. The parish's 1998 undedicated fund balance of $ 4.4 million dollars (unaudited) is less than two percent of 1998 amended revenues.

But the economic picture in Jefferson may be changing:

- Parish population declined 1.1 percent from 1995 through 1997. Developing
- suburban areas beyond Jefferson are attracting the parish's middle income population.
- Parish per capita income is stagnant and has

declined relative to the region including New Orleans.

- The assessed value of taxable property declined 5.5 percent between 1988 and 1997 when adjusted for inflation. However, total taxable property assessments increased by approximately 3 percent in 1998, ahead of inflation.

- Sales tax revenue, long the parish's leading source of income, declined by 4.9 percent in real dollars between 1994 and 1997. On the positive side, collections are expected to show a 4 percent increase in 1998, well ahead of inflation.

Collectively, these trends define a maturing Jefferson Parish economy and significant challenges may emerge in the longer term.

- The parish's income from sales taxes, one third of general government revenues and 23 percent of projected operating revenues in 1999, is very sensitive to changing economic conditions. At present, the positive effects of strong national and regional economies are boosting tax proceeds, but as the national economic cycle eventually takes a downward turn, so will parish revenue.
- Absent future growth in population and per capita income, or new millages, property tax income, 32.5 percent of expected 1999 operating revenue, may slow or level off over the next few years.
- Many of the parish's authorized millages, including four parish-wide taxes, will expire over the next four years and must receive voter approval for renewal. With parish per capita income stagnant, gaining voter support for existing millages may be more difficult than in the past. Adding new

millages and other taxes to support parish government would present a significant challenge to parish leaders.

- The trend in fund balance growth may be changing. In 1998, amended expenditures exceeded amended revenues by 2.9 percent or $7.4 million dollars, and 1999 expenditures are projected to exceed revenues by $16 million or 6.2 percent. Though these amended and projected differences will certainly narrow, it appears the parish is beginning to spend down the current budget surplus. Overall, 1999 expenditures are projected to increase by about 18 percent over 1997 outlays.

Jefferson Parish government begins FY 1999 with an impressive 1998 year-end designated operating budget balance equal to about 20 percent of projected 1999 operating revenues. This fund balance, though dedicated, will help parish government to manage through difficult economic periods.

The parish's undesignated discretionary funds are very limited, however, calling into question the policy of allocating over $2 million in discretionary gaming revenues annually to individual council districts as Council District Improvement/Assistance Funds. The three westbank Council District Improvement/ Assistance Funds combined carry a 1998 year-end discretionary balance of $1.5 million into 1999.

Planning and development of the LaSalle tract on the eastbank is a parish bright spot as a "quality of life" improvement. Hopefully, JEDCO with a new start and under new management can play a strong role in creating economic growth in the parish.

The ability of parish government to maintain current service levels will be challenged by a continuing period of region-wide population and economic transition. Regional cooperation, planning, and new economic development can enable the parish to grow as part of an evolving regional economy.